THE HUMAN TOUCH OF AUTO-MOTIVE TECH-NOLOGY

THE PWO-FACTOR

Financial Statements of PWO AG 2013

PWO

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The Management Report of PWO AG and the Group Management Report for the 2013 business year have been prepared in accordance with § 315 section. 3 of the German Commercial Code (HGB) and published in the 2013 Annual Report.

The Annual Financial Statements and the Management Report of PWO AG produced with the Group Management Report for the 2013 business year will be submitted to the administrator of the Federal Gazette in which they will be published.

The Annual Financial Statements of PWO AG and the 2013 Annual Report are also available online at http://www.progress-werk.de/berichte2013.html and from the convening of the AGM 2014 at http://www.progress-werk.de/hauptversammlung.html

2013 CONTENT

Balance Sheet PWO AG

ASSETS

Note no.		2013 EURk	2012 EURk
	Contract and customer-related development services	2,487	1,369
	Acquired industrial property rights and similar rights	1,300	1,543
	Intangible assets	**3,787**	**2,912**
	Land and buildings	22,647	18,841
	Technical equipment and machinery	29,532	27,773
	Other equipment, operating and office equipment	4,821	3,946
	Prepayments and assets under construction	1,576	5,864
	Property, plant, and equipment	**58,576**	**56,424**
	Investments in affiliated companies	44,370	44,370
	Loans to affiliated companies	32,660	23,806
	Financial assets	**77,030**	**68,176**
3	**Non-current assets**	**139,393**	**127,512**
	Raw materials and supplies	10,243	9,001
	Work-in-progress	15,598	16,113
	Finished goods and merchandise	9,251	7,904
4	**Inventories**	**35,092**	**33,018**
	Trade receivables	33,330	32,168
	Receivables from affiliated companies	13,546	9,003
	Other assets	2,922	3,216
5	**Receivables and other assets**	**49,798**	**44,387**
	Cash on hand, bank deposits	2,837	4,886
	Current assets	**87,727**	**82,291**
6	**Prepayments and accrued income**	**35**	**58**
10	**Deferred tax assets**	**885**	**587**
	Total assets	**228,040**	**210,448**

EQUITY AND LIABILITIES

Note no.		2013 EURk	2012 EURk
	Subscribed capital	9,375	9,375
	Capital reserves	38,690	38,690
	Statutory reserves	204	204
	Other retained earnings	60,550	58,300
	Retained earnings	**60,754**	**58,504**
	Unappropriated retained earnings	5,629	5,026
7	**Equity**	**114,448**	**111,595**
	Provisions for pensions and other employee benefits	29,755	26,810
	Tax provisions	750	0
	Other provisions	11,254	12,443
8	**Provisions**	**41,759**	**39,253**
	Bank borrowings	53,816	43,539
	Advance payments received on account of orders	588	541
	Trade payables	12,437	10,802
	Liabilities to affiliated companies	322	1,005
	Other liabilities	4,670	3,713
9	**Liabilities**	**71,833**	**59,600**
	Total equity and liabilities	**228,040**	**210,448**

Income Statement PWO AG

Note no.		2013 EURk	2012 EURk
14	Revenue	252,974	247,819
	Change in finished goods and work-in-progress	832	1,792
15	Other own work capitalized	1,307	1,068
	Total output	**255,113**	**250,679**
16	Other operating income	4,417	4,080
	Cost of raw materials and supplies and merchandise purchased	-101,977	-101,273
	Cost of purchased services	-28,981	-28,519
	Cost of materials	**-130,958**	**-129,792**
	Wages and salaries	-64,522	-60,907
	Social security and post-employment costs	-13,684	-11,428
17	**Staff costs**	**-78,206**	**-72,335**
	Amortization of intangible non-current assets and depreciation of property, plant, and equipment	-10,153	-9,560
18	Other operating expenses	-24,633	-25,071
19	Income from loans of financial fixed assets, of which from affiliated companies EURk 580 (p/y: EURk 623)	580	623
20	Other interest and similar income	45	66
21	Write-downs of financial assets	0	-3,550
22	Interest and similar expenses	-3,621	-3,792
	Financial result	**-2,996**	**-6,653**
	Result from ordinary activities	**12,584**	**11,348**
	Extraordinary income	125	125
	Extraordinary expenses	-445	-445
23	**Net extraordinary result**	**-320**	**-320**
24	Income taxes	-4,411	-4,242
	Net income	**7,853**	**6,786**
	Profit carried forward from previous year	26	40
	Transfer to other retained earnings	-2,250	-1,800
	Unappropriated retained earnings	**5,629**	**5,026**

Notes to the Financial Statements of PWO AG

Accounting Policies

1 | Basis of preparation of annual financial statements

These financial statements have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG). The income statement has been prepared on the basis of the nature of cost method. The financial statements are presented in thousands of euros.

The accounting policies have not materially changed as compared to the previous year.

2 | Summary of key accounting policies

Intangible assets and property, plant, and equipment are measured at the cost of acquisition or of production. The production costs of own work capitalized comprise both direct costs and the applicable production overhead costs.

Depreciation of property, plant, and equipment is calculated using the straight line method as well as the diminishing balance method. Certain machinery items and order-related tools are depreciated based on the number of units produced in the reporting year. It is then calculated in terms of the total number of items specified or planned in the order. Financial assets are carried at the lower of acquisition costs or fair value.

Low-value assets with an individual net value of up to EUR 150.00 are fully depreciated and expensed in the year of acquisition, assuming they are retired immediately from the balance sheet. Assets of an individual net value exceeding EUR 150.00 and up to EUR 1,000.00 have been booked in a collective item. The annual collective item, whose amounts are of subordinate significance, are depreciated on a lump-sum basis at 20 percent per annum in the year in which they are formed, and in the four subsequent years.

Inventories of raw materials and supplies are recognized at the lower of average cost or current value. Write-downs were made to unsalable or obsolete materials. Work-in-progress and finished goods are measured at the lower of cost or fair value on the basis of item-by-item calculations according to current operational accounting. General administration expenses and borrowing costs are not capitalized. The measurement was free of loss.

Tooling and development contracts are measured at acquisition or production costs. In this context, a loss-free valuation is performed in such a way that maximum acquisition and production cost is equivalent to the selling price plus revenue generated by series production.

Receivables and other assets are carried at their nominal values. Non-interest-bearing receivables with a term of more than one year have been discounted. Foreign-currency items are measured on a loss-free basis. Appropriate and specific provisions are taken into account for all items that carry risk. General credit risk is reflected through a lump-sum discount. The discount shown under prepayments and accrued income was amortized on a scheduled basis over the term of the loan.

Provisions for defined benefit plans were calculated under the projected unit credit method on the basis of mortality tables 2005 G. Tax and other provisions take into account all uncertain obligations and contingent losses from pending transactions. They are carried in amounts deemed necessary by reasonable commercial assessment, i.e. including future cost and price increases. Provisions with a residual term of more than one year are measured at present value.

Liabilities are recognized at their repayment amount.

The amounts of deferred taxes arising from temporary and quasi-permanent differences between the carrying amounts of assets, liabilities as well as prepayments in the commercial accounts and the tax carrying amounts or as a result of tax-loss carryforwards, are determined by applying the Company's individual tax rate at the time of the elimination of the difference to the resulting tax charge or tax benefit. Deferred tax assets and liabilities are offset against each other.

Assets and liabilities denominated in foreign currencies are generally measured on the basis of the exchange rate prevailing at the reporting date. If the maturity exceeds one year, the realization principle (Section 252 (1) no. 4 (second indent) HGB) and the historical cost principle (Section 253 (1) no 1 HGB are considered.

Insofar as valuation units were created in accordance with Section 254 HGB, the following accounting and valuation principles are applied: Economic hedging relationships are reflected in the accounting by the formation of valuation units. If both, the net hedge presentation method and the gross hedge presentation method, can be applied, the gross hedge presentation method is selected. According to the net hedge presentation method, unrealized gains and losses of the hedged risk are offset against each other and are not accounted for. According to the gross hedge presentation method, both, the value of the underlying and of the related hedge instrument are accounted for. The offsetting positive and negative valuation changes are both reflected in profit or loss on a gross basis.

Notes to the Balance Sheet

3 | Non-current assets

EURk	Contract and customer-related development services	Acquired industrial property rights and similar rights	**Intangible assets**	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	**Property, plant, and equipment**	Investments in affiliated companies	Loans to affiliated companies	**Financial assets**
Acquisition and production costs											
As at Jan. 1, 2012	444	11,263	11,707	33,179	128,283	18,689	9,326	189,477	43,931	26,689	70,620
Additions	1,000	675	1,675	3,923	9,681	1,655	1,791	17,050	3,839	6,500	10,339
Reclassifications	0	0	0	2,103	3,150	0	-5,253	0	0	0	0
Disposals	0	-299	-299	0	-1,611	-235	0	-1,846	0	-5,833	-5,833
As at Dec 31, 2012	**1,444**	**11,639**	**13,083**	**39,205**	**139,503**	**20,109**	**5,864**	**204,681**	**47,770**	**27,356**	**75,126**
Additions	1,230	631	1,861	2,396	6,753	1,683	876	11,708	0	10,750	10,750
Reclassifications	0	113	113	2,727	2,109	215	-5,164	-113	0	0	0
Disposals	0	0	0	-218	-1,146	-367	0	-1,731	0	-1,896	-1,896
As at Dec. 31, 2013	**2,674**	**12,383**	**15,057**	**44,110**	**147,219**	**21,640**	**1,576**	**214,545**	**47,770**	**36,210**	**83,980**
Depreciation and amortization											
As at Jan. 1, 2012	47	8,682	8,729	19,470	107,243	15,471	0	142,184	3,400	0	3,400
Additions	28	1,613	1,641	894	6,098	927	0	7,919	0	3,550	3,550
Disposals	0	-199	-199	0	-1,611	-235	0	-1,846	0	0	0
As at Dec 31, 2012	**75**	**10,096**	**10,171**	**20,364**	**111,730**	**16,163**	**0**	**148,257**	**3,400**	**3,550**	**6,950**
Additions	112	987	1,099	1,202	6,829	1,023	0	9,054	0	0	0
Disposals	0	0	0	-103	-872	-367	0	-1,342	0	0	0
As at Dec. 31, 2013	**187**	**11,083**	**11,270**	**21,463**	**117,687**	**16,819**	**0**	**155,969**	**3,400**	**3,550**	**6,950**
Net carrying amounts											
As at Dec. 31, 2012	1,369	1,543	**2,912**	18,841	27,773	3,946	5,864	**56,424**	44,370	23,806	**68,176**
As at Dec. 31, 2013	2,487	1,300	**3,787**	22,647	29,532	4,821	1,576	**58,576**	44,370	32,660	**77,030**

The useful life of software is between 3-5 years, of buildings 25-50 years, of technical equipment and machinery 2-10 years, of other equipment as well as operating and office equipment 3-14 years, and of IT hardware between 3-5 years.

Unscheduled depreciation for impaired property, plant, and equipment was carried out pursuant to Section 277 (3) no. 1 HGB in order to measure the relevant asset at its fair value of EURk 0 (p/y: EURk 542). The impairment is compensated for by a corresponding reimbursement on the part of the customer.

4 | Inventories

The inventory was largely determined by inventory sampling and systems-based repair shop inventory. In addition, the quantities were determined by physical stock-taking conducted as per the closing date.

5 | Receivables and other assets

Receivables from affiliated companies consist of trade receivables of EURk 6,658 (p/y: EURk 7,106).

EURk	2013	of which remaining term > 1 year	2012	of which remaining term > 1 year
Trade receivables	33,330	0	32,168	0
Receivables from affiliated companies	13,546	43	9,003	80
Other assets	2,922	421	3,216	715
Total	**49,798**	**464**	**44,387**	**795**

6 | Prepayments and accrued income

This item includes EURk 35 (p/y: EURk 58) in discounts related to financial borrowings.

7 | Equity

EURk	Subscribed capital	Capital reserves	Statutory reserve	Other retained earnings	Unappropriated retained earnings	Equity PWO AG
As at Jan. 1, 2013	**9,375**	**38,690**	**204**	**58,300**	**5,026**	**111,595**
Capital increase						**0**
Dividend distribution					-5,000	**-5,000**
Net income					7,853	**7,853**
Transfer to other retained earnings				2,250	-2,250	**0**
As at Dec. 31, 2013	**9,375**	**38,690**	**204**	**60,550**	**5,629**	**114,448**

Subscribed capital

On May 26, 2010, the Annual General Meeting had approved new authorized and contingent Capital.

By issuing 625,000 new shares by way of the capital increase in May 2012, EURk 1,875 of the total Authorized Capital I/2010 in an amount of EURk 3,000 was utilized. As at December 31, 2013, the fully paid-up subscribed capital amounted to EURk 9,375 (p/y: EURk 9,375), and was divided into 3,125,000 (p/y: 3,125,000 bearer shares) with a par value of EUR 3.00 each.

Remaining authorized capital

By resolution of the Annual General Meeting of May 26, 2010 and subject to the consent of the Supervisory Board, the Management Board is authorized, until May 25, 2015, to increase the Company's share capital once or several times by up to EURk 1,125 against payment in cash (Authorized Capital I/2010).

By resolution of the Annual General Meeting of May 26, 2010 and subject to the consent of the Supervisory Board, the Management Board is authorized, until May 25, 2015, to increase the Company's share capital once or several times by up to EURk 750 against payment in cash (Authorized Capital II/2010).

The Annual General Meeting of May 26, 2010 has approved a conditional increase in share capital by up to EURk 3,000 (Contingent Capital 2010).

Retained earnings and other equity
Of the net income of fiscal year 2013 amounting to EURk 7,853 an amount of EURk 2,250 was allocated to other retained earnings.

The unappropriated retained earnings of fiscal year 2013 in an amount of EURk 5,629 include the profit carried forward from fiscal year 2012 of EURk 26. Reference is made to the proposal for the appropriation of unappropriated retained earnings.

Notifications pursuant to Section 21 (1) WpHG
(1) On November 7, 2013, we were notified by Delta Lloyd Levensverzekering N.V., Amsterdam, The Netherlands, that its interest in the voting rights of Progress-Werk Oberkirch AG, Oberkirch, Germany, fell below the threshold of 5% on October 31, 2013 and amounted to 3.31% (103,574 voting rights) on that date.

(2) On November 7, 2013, we were notified by Delta Lloyd Houdstermaatschappij Verzekeringen N.V., Amsterdam, The Netherlands, that its interest in the voting rights of Progress-Werk Oberkirch AG, Oberkirch, Germany, fell below the threshold of 5% on October 31, 2013 and amounted to 3.31% (103,574 voting rights) on that date. These voting rights of 3.31% (corresponding to 103,574 voting rights) were attributable to Houdstermaatschappij Verzekeringen N.V. from the shares held by Delta Lloyd Levensverzekering N.V.

(3) On November 7, 2013, we were notified by Delta Lloyd L SICAV, Luxemburg, Grand Duchy of Luxembourg, that its interest in the voting rights of Progress-Werk Oberkirch AG, Oberkirch, Germany, exceeded the threshold of 5% on October 31, 2013 and amounted to 6.96% (217,613 voting rights) on that date.

8 | Provisions

Pension provisions
Provisions for defined benefit plans were calculated under the projected unit credit method on the basis of mortality tables 2005 G. The transitional amount of EURk 6,669 according to the Accounting Modernization Act (BilMoG) is spread over 15 years. Of this amount, EURk 1,778 (p/y: EURk 1,334) are recognized. For discounting, a flat rate is applied which represents the average market interest rate for securities with a remaining duration of 15 years in accordance with the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung). The valuation of the defined benefit obligations is subject to the following actuarial assumptions:

	2013	2012
Interest rate	4.91 %	5.07 %
Employee turnover rate	2.5 %	2.5 %
Future salary trend < 40 years	3.5 %	3.5 %
Future salary trend > 40 years	2.5 %	2.5 %
Future pension adjustments	2.0 %	2.0 %

Other provisions

Other provisions include required amounts for personnel-related expenses of EURk 9,648 (p/y: EURk 10,662) and other identifiable obligations and risks for which provisions may be recognized under commercial law. These mainly include provisions for profit sharing, age-related part-time working, holiday and flex-time, and anniversary bonuses.

9 | Liabilities

Of the bank borrowings, EURk 10,105 (p/y: EURk 10,156) are secured by mortgages and EURk 13,859 (p/y: EURk 17,297) are secured by collateral assignments. In addition, the usual retention of proprietary rights exists for the supply of raw materials, supplies, and merchandise.

Liabilities to affiliated companies include trade payables of EURk 322 (p/y: EURk 1,005).

		of which remaining term			of which remaining term	
EURk	**2013**	< 1 year	> 5 years	**2012**	< 1 year	> 5 years
Bank borrowings	53,816	28,835	2,121	43,539	14,944	2,094
Prepayments on orders	588	588	0	541	541	0
Trade payables	12,437	12,437	0	10,802	10,802	0
Liabilities to affiliated companies	322	322	0	1,005	1,005	0
Other liabilities	4,670	1,630	1,210	3,713	1,569	326
of which from taxes	825	825	0	677	677	0
of which from social security	4	4	0	33	33	0
Total	**71,833**	**43,812**	**3,331**	**59,600**	**28,861**	**2,420**

10 | Deferred taxes

The domestic income tax rate of 28.08% was used as a basis in calculating deferred taxes. Deferred tax assets and deferred tax liabilities for each balance sheet item are depicted in the following table:

EURk	Deferred tax assets **2013**	Deferred tax liabilities **2013**	Deferred tax assets **2012**	Deferred tax liabilities **2012**
Intangible assets, property, plant, and equipment and financial assets	0	733	0	385
Provisions	1,618	0	972	0
Sub-total	**1,618**	**733**	**972**	**385**
Off-set	-733	-733	-385	-385
Total according to balance sheet	**885**	**0**	**587**	**0**

11 | Contingent liabilities

There are liabilities totaling EURk 45,257 (p/y: EURk 48,282) related to guarantees for borrowings by PWO Canada Inc., PWO UNITOOLS CZ a.s., PWO High-Tech Metal Components (Suzhou) Co. Ltd., and PWO de México S.A. de C.V. Given the subsidiaries' current net assets, financial position, and results of operations as well as their forecasts, there appears to be no risk of the liabilities being called.

A surety for securing funds for age-related partial-retirement schemes existed in the amount of EURk 2,345 (p/y: EURk 2,345) at the reporting date.

12 | Other financial liabilities

As of December 31, 2013, other financial liabilities, including purchase commitments, totaled EURk 11,388 (p/y: EURk 15,910). Of these, the following are allotted to future fiscal years based on their term:

		of which remaining term			of which remaining term	
EURk	**2014 ff.**	< 1 year	> 5 years	**2013 ff.**	< 1 year	> 5 years
Obligations arising from leasing and rental contracts	2,606	1,513	0	3,245	1,792	3
Order commitments from investment orders	4,022	4,022	0	7,795	7,795	0
Remaining other financial liabilities	4,760	338	3,102	4,870	258	3,273
Total	**11,388**	**5,873**	**3,102**	**15,910**	**9,845**	**3,276**

Lease agreements are employed for necessary investments in order to profit from the cash flow benefits. The lease agreements contain the usual risk inherent in leasing.

13 | Financial instruments

Derivatives are used for hedging currency and interest rate risks and are not concluded for speculative purposes. That is to say, no derivatives are purchased without the existence of the corresponding underlying business. The risk management and hedging strategies are defined by uniform treasury guidelines and other internal guidelines and are subject to continuous internal risk analysis.

Currency risks

Currency hedge contracts are employed for the hedging of risks related to foreign currency-denominated monetary assets that result from our operating activities. These currency hedging instruments are individually measured at their market value as of the reporting date. A negative valuation result is recognized in profit and loss, and results in the recognition of a provision for contingent losses from pending transactions. In contrast to this, a positive valuation result is not recognized. Of the currency hedge contracts, an amount of EURk 6,889 refers to currency hedge instruments in USD with a fair value of EURk 83.

Accrued valuation units were created for currency hedge instruments which are employed for planned transactions in a foreign currency due to their reliable projectable quantities and the expected timing. The following table provides an overview of the nominal value at the end of 2013. The hedging contracts cover the defined portion of the expected risk and have a maturity up to 2018.

Prospectively, we apply the critical terms match method to our foreign currency hedges as the currencies, maturities, and the amounts are identical for the forecasted transactions as well as the spot element of the currency hedge instrument.

Underlying transaction / hedge instrument	Risk / type of valuation unit	Amount of the risk hedged
Receivables in foreign currency / Currency hedge instrument	Currency risk / micro hedge	CADk 12,800
Receivables in foreign currency / Currency hedge instrument	Currency risk / micro hedge	USDk 12,512

Retrospectively, effectiveness is tested by applying the Dollar Offset Method of the Hypothetical Derivative Model.

The market values of the derivative financial instruments reflect the estimated amount the Company would receive or pay to terminate the contracts at the reporting date. The market value of the above mentioned derivative financial instruments is determined as follows:

The fair value of foreign currency hedge instruments is based on discounting the expected future cash flows over the respective remaining term of the contracts using the respective market interest rates and spot rates.

Interest rate risks

The interest rate related transactions are comprised exclusively of interest rate swaps. As at December 31, 2013, the following interest rate derivatives were still open:

EURk	Nominal value	Redemption 2013	Residual value	Fixed rate p.a.	Term	Fair value
Interest rate swaps	11,375	1,450	8,900	1.15% to 3.15%	2014 to 2018	-102

The fair value of interest rate derivative financial contracts is determined by discounting the expected future cash flows over the respective remaining term of the contracts using futures and the respective market interest rates.

Notes to the Income Statement

14 | Revenue

REVENUE BY LOCATION

EURk	2013	2012
Germany	154,770	162,143
Rest of Europe	60,288	53,573
North America	21,745	15,595
Other countries	16,171	16,508
Total	**252,974**	**247,819**

REVENUE BY PRODUCT AREA

EURk	2013	2012
Mechanical components for electrical and electronic applications	78,140	81,070
Safety components for airbags, seats, and steering	71,102	64,775
Structural components and subsystems for vehicle body and chassis	103,732	101,974
Total	**252,974**	**247,819**

15 | Other own work capitalized

Other own work capitalized consists primarily of development costs and investments in machinery.

16 | Other operating income

Other operating income comprises EURk 590 (p/y: EURk 399) of non-periodic income relating to the reversal of provisions and refunds for prior years.

In the reporting year, currency gains amounted to EURk 305 (p/y: EURk 391).

17 | Staff costs and employees

STAFF COSTS

EURk	2013	2012
Wages and salaries	64,522	60,907
Social security and post-employment costs	13,684	11,428
of which post-employment costs	2,312	830
Total	**78,206**	**72,335**

NUMBER OF EMPLOYEES BY DIVISION (YEAR-AVERAGE)

	2013	2012
Development and sales	101	101
Production and materials	700	673
Tool center	231	221
Administration	68	68
Sub-total	**1,100**	**1,063**
Temporary employees	269	258
Trainees	108	101
Non-active age-related part-time employees	76	67
Total	**1,553**	**1,489**

18 | Other operating expenses

Other operating expenses mainly include outgoing freight charges, expenses attributable to temporary employees, rental and leasing expenses, maintenance expenses, as well as expenses for legal, auditing, and consultancy services, training and travel costs. Other taxes in an amount of EURk 116 (p/y: EURk 102) are also included. Non-periodic expenses occurred in the amount of EURk 76 (p/y: EURk 17).

In the reporting year, currency losses amounted to EURk 640 (p/y: EURk 536).

19 | Income from loans of financial fixed assets

Income from loans of financial fixed assets is entirely generated through affiliated companies.

20 | Other interest and similar income

Other interest and similar income include income relating to discounting in an amount of EURk 24 (p/y: EURk 26).

21 | Write-downs of financial assets

In the previous year, a loan from PWO AG to PWO Holding Co., Ltd., Hong Kong was impaired in an amount of EURk 3,550.

22 | Interest and similar expenses

Interest and similar expenses is comprised of interest expenses relating to accrued interest on provisions in an amount of EURk 1,684(p/y: EURk 1,677).

23 | Extraordinary result

In the reporting year, the extraordinary expenses were related to minimum funding pursuant to Section 67 (1) no. 1 EGHGB and the extraordinary income consists of the recognition of the corresponding deferred tax assets.

24 | Income taxes

Income taxes largely refer to the result from ordinary activities. This item includes non-periodic expenses of EURk 764. In the previous year, non-periodic income of EURk 59 was recognized.

Additional Information

25 | Amounts barred from distribution

The total amount barred from distribution under Section 268 (8) HGB is EURk 3,372 (p/y: EURk 1,957) and consists of EURk 2,487 (p/y: EURk 1,370) in capitalized internally-generated intangible assets and EURk 885 (p/y: EURk 587) in capitalized deferred tax assets.

26 | Research and development costs

Research costs were not incurred. Of the EURk 9,300 (p/y: EURk 9,210) in customer-related development costs, EURk 1,230 (p/y: EURk 1,000) were capitalized as intangible assets.

27 | Total remuneration of the Management Board and the Supervisory Board

In fiscal year 2013, the total remuneration of the Management Board amounted to EURk 1,697 (p/y: EURk 1,529). This includes performance-related components of EURk 919 (p/y: EURk 783).

The total remuneration of the Supervisory Board in fiscal year 2013 was EURk 184 (p/y: EURk 173).

The Group management report contains the compensation report along with the individual compensation details of the Management Board and Supervisory Board.

Pension payments to former members of the Management Board of PWO AG and their surviving dependents amounted to EURk 240 (p/y: EURk 234). As of the reporting date, corresponding pension provisions amounted to EURk 1,600 (p/y: EURk 1,579). The transitional amount of EURk 362 according to the Accounting Modernization Act (BilMoG) is spread over 15 years. Of this amount, EURk 96 (p/y: EURk 72) are recognized.

28 | Auditor's fee

The auditor's fee for the fiscal year under review, which was recorded as an expense according to Section 285 (1) no. 17 (HGB), comprised the following:

EURk	2013	2012
Audit	147	152
Tax consultancy services	73	40
Other services	12	10
Total	**232**	**202**

The auditor's fee that was expensed in the year under review included non-periodic charges of EURk 2 (p/y: EURk 17).

Additional certification and valuation services were not utilized.

29 | Investments in affiliated companies

As at December 31, 2013, PWO AG held an interest in the following companies:

EURk	Ownership	Net income	Equity
PWO Canada Inc., Kitchener, Canada	100 %	2,389	14,080
PWO UNITOOLS CZ a.s., Valašské Meziříčí, Czech Republic	100 %	5,666	17,674
PWO Holding Co., Ltd., Hongkong, China	100 %	-30	-856
PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China [1]	100 %	-1,530	16,786
PWO High-Tech Tool Trading (Suzhou) Co., Ltd., Suzhou, China [1]	100 %	-12	130
PWO de México S.A. de C.V., Puebla, Mexico [2]	100 %	-667	11,189

[1] indirect holding through PWO Holding Co., Ltd., for a total of 100%.
[2] indirect holding through PWO Canada Inc. for a total of 1%.

30 | Consolidated financial statements

The consolidated financial statements are included in the consolidated financial statements of Consult Invest Beteiligungsberatungs GmbH, Böblingen, as the premier Group parent company and can be accessed in the Bundesanzeiger (Federal Gazette).

31 | Corporate Governance

In accordance with the German Corporate Governance Code, the Declaration of Conformity submitted by the Management Board and the Supervisory Boards in December 2013 is permanently available to our shareholders on our Company website.

Governing Bodies

Supervisory Board

Dieter Maier, Stuttgart
Chairman of the Supervisory Board
Former member of the Executive Board of Baden-Württembergische Bank AG, Stuttgart

FURTHER MANDATES
- Düker GmbH & Co. KGaA, Karlstadt | Member of the Supervisory Board
- Leitz GmbH & Co. KG, Oberkochen | Chairman of the Advisory Board

Dr. Gerhard Wirth, Stuttgart
Deputy Chairman of the Supervisory Board (since May 22, 2013)
Attorney-at-law, partner in the law firm Gleiss Lutz Hootz Hirsch
Partnerschaftsgesellschaft von Rechtsanwälten, Steuerberatern

FURTHER MANDATES
- Karl Danzer GmbH & Co. KG, Reutlingen | Chairman of the Advisory Board
- Düker GmbH & Co. KGaA, Karlstadt | Member of the Supervisory Board
- Wolff & Müller Holding GmbH & Co. KG, Stuttgart | Member of the Advisory Board

Dr. Georg Hengstberger, Tübingen (since May 22, 2013)
Master's degree in mathematics, Risk Controller, Landesbank Baden-Württemberg, Stuttgart

FURTHER MANDATES
- Düker GmbH & Co. KGaA, Karlstadt | Member of the Advisory Board

Dr. jur. Klaus-Georg Hengstberger, Böblingen (until May 22, 2013)
Deputy Chairman of the Supervisory Board
Managing Director of Consult Invest Beteiligungsberatungs-GmbH, Böblingen

FURTHER MANDATES
- Düker GmbH & Co. KGaA, Karlstadt | Chairman of the Supervisory Board

Herbert König, Renchen-Erlach*
Industrial clerk and Chairman of the Works Council of PWO AG

Ulrich Ruetz, Ludwigsburg
Former Chairman of the Management Board of BERU AG, Ludwigsburg

FURTHER MANDATES
- Düker GmbH & Co. KGaA, Karlstadt | Deputy Chairman of the Supervisory Board
- Sumida Corporation, Tokyo, Japan | Member of the Board
- Wüstenrot Holding AG, Ludwigsburg | Member of the Supervisory Board
- Wüstenrot & Württembergische AG, Stuttgart | Member of the Supervisory Board

Katja Ullrich, Durbach*
Commercial training officer

* Employee representatives

Management Board

Dipl.-Ing. Karl M. Schmidhuber, Alzenau
Chairman
Market and Technology

FURTHER MANDATES

- PWO Canada Inc., Kitchener, Canada | Director
- PWO Holding Co., Ltd., Hong Kong, China | Director
- PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China | Chairman of the Board of Directors
- PWO High-Tech Tool Trading (Suzhou) Co., Ltd., Suzhou, China | Chairman of the Board of Directors
- PWO de México S.A. de C.V., Puebla, Mexico | Chairman of the Board of Directors

Bernd Bartmann, Offenburg
Administration and Finance

FURTHER MANDATES

- PWO Canada Inc., Kitchener, Canada | Director
- PWO UNITOOLS CZ a.s., Valašské Meziříčí, Czech Republic | Member of the Supervisory Board
- PWO Holding Co., Ltd., Hong Kong, China | Director
- PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China | Director
- PWO High-Tech Tool Trading (Suzhou) Co., Ltd., Suzhou, China | Director
- Sparkasse Offenburg/Ortenau, Offenburg | Member of the Advisory Board
- avenit AG, Offenburg | Deputy Chairman of the Supervisory Board (since June 25, 2013)

Dr.-Ing. Winfried Blümel, Oberkirch
Production and Materials

FURTHER MANDATES

- PWO UNITOOLS CZ a.s., Valašské Meziříčí, Czech Republic | Chairman of the Supervisory Board
- PWO de México S.A. de C.V., Puebla, Mexico | Member of the Board of Directors

Proposal for the Appropriation of Profits

It is proposed to the Annual General Meeting that the unappropriated retained earnings of PWO AG as of December 31, 2013 in the amount of EUR 5,628,590.79 to be appropriated as follows:

Payment of a dividend of EUR 1.80 per dividend-bearing share	EUR 5,625,000.00
Carried forward to new account	EUR 3,590.79

The proposal for the appropriation of the unappropriated retained earnings does not take treasury shares into account. Should the Company hold shares in treasury at the time a resolution on the appropriation of the unappropriated retained earnings is adopted by the Annual General Meeting, the sum to be distributed shall be reduced by the proportion of the dividend accruing to the treasury shares. The sum carried forward to new account shall increase by the same amount.

Oberkirch, March 13, 2014

The Management Board

Karl M. Schmidhuber (Chairman)

Bernd Bartmann

Dr. Winfried Blümel

Progress-Werk Oberkirch AG

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Audit Opinion

The following audit certificate was awarded by Ernst & Young GmbH for the financial statements and management report which was amalgamated with the consolidated management report:

„We have audited the annual financial statements for Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch comprising the balance sheet, income statement and notes, and including the underlying accounting and management report amalgamated with the consolidated management report for the fiscal year from January 1 to December 31, 2013. Responsibility for the accounting and for the preparation of the annual financial statements and the management report in accordance with the principles of German commercial law and the supplementary provisions contained in the articles of association lies with the legal representatives of the Company. Our task is on the basis of the audit undertaken by us to deliver a judgment on the annual financial statements including the underlying accounting, and on the management report.

We have conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) in consideration of the German auditing standards defined by the Institut der Wirtschaftsprüfer (IDW). These require the audit to be planned and conducted in such a manner as to detect with adequate certainty any inaccuracies or infringements which may have a significant impact on the impression of the assets, financial and earnings situation, as conveyed by the annual financial statements and the management report, and in consideration of the principles of due and proper accounting. In determining the actions to be taken as part of the auditing procedure, consideration was given to the knowledge of the Company's business activities and the economic and legal environment, as well as to the possible errors likely to be encountered. In the course of the audit the effectiveness of the accounting-based internal control system and proofs of the information contained in the accounts, the annual financial statements and the management report were assessed on the basis of random samples. The audit encompasses an appraisal of the accounting principles applied and of the principal assessments made by the legal representatives, as well as an evaluation of the overall presentation of the annual financial statements and management report. We are of the opinion that our audit forms an adequately secure foundation on which to base our judgment.

Our audit has caused us to raise no objections.

In our judgment based on the findings of our audit, the annual financial statements comply with the principles of the law and with the supplementary provisions of the articles of incorporation, and in consideration of the principles of due and proper accounting these statements present an image of the assets, financial and earnings position of the Company which concurs with the true circumstances. The management report is consistent with the annual financial statements and overall presents an accurate image of the position of the Company and the opportunities and risks of future development."

Freiburg i. Br., March 18, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nietzer (Auditor)

Schmelzle (Auditor)

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